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Message Text

SECRET

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41
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R 191100Z APR 74
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TO SECSTATE WASHDC 3874
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S E C R E T SECTION 1 OF 2 SAIGON 05110

EXDIS

E.O. 11652: GDS
TAGS: MARR, VS
SUBJECT: ICCS FINANCING

1. THE EMBASSY ICCS LIAISON UNIT HAS PRODUCED A DISCUSSION PAPER WHICH IS TRANSMITTED IN THE INCREASINGLY FORLORN HOPE THAT THE DISINTEGRATION OF THE PARIS AGREEMENT, WHICH THE BANKRUPTCY OF THE ICCS WILL SURELY BEGIN, WILL AT LEAST BE THE RESULT OF A DECISION AND NOT BECAUSE WE WERE INCAPABLE OF MAKING ONE. THE LAST PARAGRAPH IS DESERVING OF URGENT ATTENTION FROM QTE L UNQTE.

SECTION A - COMMUNIST VIEWS ON THE ICCS

ON THE BASIS OF THE DRV'S LATEST SEMI-PUBLIC STATEMENT ON ICCS FINANCING, IT IS POSSIBLE TO CONCLUDE THAT THE COMMUNIST SIDE (PRG AND DRV) HAS REACHED A DECISION NOT TO CONTINUE INTERIM CONTRIBUTIONS TO THE ICCS OR TO FULFILL ITS OBLIGATIONS TO CONTRIBUTE 23 PERCENT EACH OF AN ICCS BUDGET. THE COMMUNIST SIDE HAS UNDOUBTEDLY SHREWDLY ASSESSED THE POSSIBILITIES INHERENT IN THE AGREED PHRASEOLOGY OF THE PARIS AGREEMENT AND THE ICCS PROTOCOL (ARTICLE 14) IN ORDER TO LIMIT THE EFFECTIVENESS OF THE ICCS, TO FORCE IT TO CHANGE ITS MODE OF OPERATIONS, AND PERHAPS TO SCUTTLE IT EFFECTIVELY.

THERE ARE SOME JUSTIFIBLE REASONS FOR REACHING THESE CONCLUSIONS. THE COMMUNIST SIDE WAS KNOWN TO HAVE OBJECTED TO THE SIZE PROPOSED FOR THE ICCS AND TO HAVE RESISTED AGREEMENT ON SITES
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WHERE ICCS TEAMS WOULD BE LOCATED. FINANCIAL DIFFICULTIES HAVE,

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IN PART, FORCED DELEGATIONS TO RESTRICT THE SIZE OF THEIR DELEGATIONS

AND THE LACK OF BUDGETARY CONTRIBUTIONS HAS FORCED THE DELEGATIONS TO THINK ABOUT THE WISDOM OF DEPLOYMENT TO SUB-REGIONAL SITES. THEREFORE BY WITHHOLDING CONTRIBUTIONS, THE COMMUNIST SIDE IS REDRESSING SOME OF THE LOSSES TO WHICH IT AGREED IN PARIS.

THERE IS REASON TO BELIEVE THAT THE NORTH VIETNAMESE COMMUNIST CENTRAL COMMITTEE MEETING IN JANUARY 1974 OPTED FOR RECONSTRUCTING THE NORTH OVER CONTINUED OR INCREASING SUPPORT FOR ACTIVITIES IN SOUTH VIETNAM. THEREFORE THE DECISION TO WITHHOLD FURTHER CONTRIBUTIONS TO THE ICCS WOULD APPEAR TO BE IN AGREEMENT WITH THE CENTRAL COMMITTEE DECISION. SIMILARLY, THE REPEATED EMPHASIS COMING OUT OF HANOI ON THE US FAILURE TO LIVE UP TO ITS COMMITMENTS TO PROVIDE AID AND ASSISTANCE IN THE RECONSTRUCTION OF NORTH VIETNAM WOULD ENCOURAGE THE DRV TO USE ITS OBLIGATION TO CONTRIBUTE TO THE ICCS AS A BARGAINING COUNTER IN ORDER TO OBTAIN THE PROMISED AID. (THIS POINT OF VIEW IS PROBABLY BUTTRESSED BY A JUDGEMENT THAT THE PROMISE OF AID WILL NOT BE FULFILLED BY CONGRESS BECAUSE OF DIFFERENCES BETWEEN THE LEGISLATIVE AND EXECUTIVE BRANCH OF THE UNITED STATES GOVERNMENT.)

SECTION B - US OPTIONS

AT THIS TIME IT THEREFORE APPEARS ALL THE MORE APPROPRIATE THAT THE US GOVERNMENT REASSESS THE IMPORTANCE OF CONTINUING THE ICCS, EITHER IN ITS PRESENT OR AN ALTERED DESIGN, AS AN INTEGRAL INSTRUMENT OF US POLICY OBJECTIVES IN SOUTHEAST ASIA, PARTICULARLY SOUTH VIETNAM. THIS SECTION CONTINUES TO BELIEVE THAT THE ICCS REMAINS A CRITICAL PART OF THE FABRIC OF THE PARIS AGREEMENT AND THAT THE WITHDRAWAL OF US SUPPORT FOR THE ICCS WOULD BE WIDELY INTERPRETED AS A MAJOR CHANGE OF US POLICY IN SOUTH VIETNAM.

THE QUESTION OF HOW US CONTRIBUTION TO THE ICCS SHOULD BE FUNDED HAS BEEN FOR A LONG TIME SERIOUSLY DISCUSSED IN BOTH WASHINGTON AND SAIGON. CONSIDERABLE EFFORT HAS BEEN DIRECTED TOWARD CONSIDERATION OF THE SUPPLEMENTAL APPROPRIATIONS BILL AS A VEHICLE FOR OBTAINING FUNDS FOR THE ICCS. ASSESSMENT OF THIS

POSSIBILITY, BOTH IN WASHINGTON AND SAIGON, HAS NOT BEEN HIGHLY ENCOURAGING BECAUSE OF THE TEMPER OF CONGRESS ABOUT FUTURE US SPENDING IN SOUTHEAST ASIA AND BECAUSE OF THE LEGISLATIVE AND EXECUTIVE RELATIONSHIP. THEREFORE IT WOULD SEEM UNLIKELY THAT THE CONGRESS WOULD PROVIDE SUFFICIENT FUNDS FOR THE US TO ASSUME A GREATER SHARE OF ICCS EXPENSES THAN CALLED FOR IN THE PARIS AGREEMENTS, OR EVEN TO PAY OUR NEXT ASSESSMENT IN TIME TO SAVE THE ICCS FROM FINANCIAL DISASTER.

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THE CONGRESSIONAL APPROPRIATIONS ROUTE ALSO HAS ANOTHER MARKED DISADVANTAGE IN THAT AN EXCESSIVE TIME PERIOD WOULD BE REQUIRED BEFORE CONGRESS WOULD TAKE ACTION IF A REQUEST WAS PRESENTED TO IT NOW. THE LIKELIHOOD IS THAT SEVERAL MONTHS MORE WOULD BE NECESSARY,
WHEREAS THE ICCS IS PRESENTLY UNDERGOING ANOTHER OF ITS RECURRING FINANCIAL CRISIS CLEARLY EXPLAINABLE BY THE LACK OF CONTRIBUTIONS FROM THE COMMUNIST SIDE.

IF THE ICCS IS TO SURVIVE IT WILL BE NECESSARY FOR THE US TO PROVIDE FUNDS IN THE VERY NEAR FUTURE TO CARRY THE ICCS FOR SEVERAL MONTHS THROUGH UTILIZATION OF AID AND MILITARY ASSISTANCE FUNDS DIVERTED FROM OTHER USES. THIS TYPE EMERGENCY ACTION BY THE US GOVERNMENT ONLY POSTPONES THE FINANCIAL CRISIS WHICH HAS PLAGUED THE
ICCS SINCE ITS INCEPTION. NONETHELESS, IT WOULD APPEAR TO BE THE ONLY WAY BY WHICH THE US GOVERNMENT COULD PROVIDE FUNDS RAPIDLY TO THE ICCS, WHICH NOW AGAIN FACES THREATS OF CANCELLATION OF SERVICES BY ITS MAJOR CONTRACTORS (AIR AMERICA, FEC, PA&E);, LEAVING ASIDE ALL POSSIBILITY OF REIMBURSING INDIVIDUAL DELEGATIONS FOR THEIR EXPENSES AND FOR PER DIEM FOR THE DELEGATIONS.

SECTION C - OPTIONS

IN THIS SITUATION THE US WOULD APPEAR TO HAVE FIVE MAIN OPTIONS:

1. ATTEMPTING TO MAINTAIN THE ICCS IN ITS PRESENT ROLE, SIZE AND DEPLOYMENT THROUGH CONSTANT DRAIN ON QTE CONTIGENCY FUNDS UNQTE OR DIVERSION FROM AID AND DOD ACCOUNTS. SUCH CONTRIBUTIONS IN THE 12 MONTHS AHEAD WOULD HOPE TO BE SOMEWHAT LARGER AND CERTAINLY NO SMALLER THAN THOSE FUNDS SPENT IN THE INITIAL 14

MONTHS OF THE ICCS. (REALISTICALLY, WE SHOULD PLAN FOR NOT LESS THAN 23 MILLION.)

2. AN ATTEMPT COULD BE MADE TO FURTHER CUT THE ICCS PARTICULARLY IN ITS FIELD OPERATIONS IN ORDER TO STRETCH THE US CONTRIBUTION. THIS WOULD RESULT VIRTUALLY IN RESTRICTION OF THE ICCS TO HEADQUARTERS STAFF ACTIVITIES IN SAIGON, POSSIBLY ON A PROGRESSIVE BASIS BY CUTTING FIRST SUB-REGIONAL SITES AND THEN REGIONAL SITES. WHILE THIS IS UNDOUBTEDLY ONE OF THE AIMS OF COMMUNIST POLICY, IT COULD BE JUSTIFIED BY THE ARGUMENT THAT QTE NORMALCY UNQTE HAS RETURNED TO SOUTH VIETNAM. IT MIGHT NOT HAVE THE EFFECT, HOWEVER, OF REDUCING US EXPENSES RAPIDLY AND SHOULD BE CAREFULLY HANDLED FROM A PUBLIC RELATIONS POINT OF VIEW; EVEN A GRADUAL CHANGE WOULD BE RAPIDLY PICKED UP BY THE SENSITIVE ANTENNAE OF WORLD OPINION WHEREEVER SOUTHEAST

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ACTION SS-30

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3. THE US HAS A FURTHER OPTION IF A DECISION COULD BE REACHED THAT THE US GOVERNMENT WOULD PAY THE CONTRACTUAL COSTS OF THE ICCS FOR AIR AMERICA, PA&E, FEC, ETC. THROUGH EXPANSION OF ALREADY EXISTING GOVERNMENT CONTRACTS WITH MOST OF THE ICCS CONTRACTORS, PERHAPS RESULTING IN SOME SMALL SAVINGS. THIS IS A PERFECTLY LEGAL AND FEASIBLE OPTION. IT WOULD REQUIRE PROVISION OF APPROXIMATELY $7.8 MILLION TO SUBSUME THE ICCS CONTRACTS UNDER ALREADY EXISTING CONTRACTS WITH THE US FIRMS LISTED IN 3 ABOVE. IT WOULD REQUIRE $6 MILLION FROM OTHER FUNDS FOR PAYMENT OF US 23 PERCENT CONTRIBUTION FOR PERIOD APRIL 1, 1974 TO MARCH 30, 1975.

4. US MIGHT CONSIDER PUBLICIZING THE INTENTIONS OF THE COMMUNIST SIDE TO UNDERMINE THE ICCS AND EXERCISE A STRANGLE-HOLD ON ITS PERFORMANCE THROUGH THE FINANCIAL DRAW-STRING. WHILE THIS MIGHT CONSIDERABLY LEAD ONLY TO A FURTHER WAR OF POLEMICS WITH HANOI, PERHAPS THE THREAT OF PUBLIC DISCLOSURE OF COMMUNIST POLICY MIGHT PRODUCE A MORE FORTHCOMING SUPPORT POLICY. IN ANY CASE SUCH A PUBLIC CAMPAIGN WOULD BE A NECESSARY PREDE-CESSOR TO OPTION 5.

5. SINCE THE US ASSUMPTION IS THAT THE ICCS WOULD CONTINUE TO BE SUBJECT TO COMMUNIST PRESSURES, THE US SHOULD CONSIDER A POSSIBLE DETERMINATION TO WITHHOLD ANY FUTURE FINANCIAL SUPPORT, LEAVING NO DOUBT THAT THE COMMUNIST SIDE BEARS THE RESPONSIBILITY FOR THE DEMISE OF THE ICCS. THIS WOULD BE BEST DONE WITH

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TO THE ICCS FOR AN ORDERLY PLANNED WITHDRAWAL. THE DEBTS OF THE ICCS TO ITS CONTRACTORS WOULD PROBABLY IN THE END HAVE TO BE PAID BY THE US GOVERNMENT, BUT REIMBURSEMENT TO THE ICCS DELEGATIONS SHOULD BE MADE THE SUBJECT OF BILATERAL RELATIONS OF EACH DELEGATIONS WITH THE FOUR SIGNATORIES. WINDUP COSTS FOR THE ICCS, OF COURSE, WOULD BE CONSIDERABLE.

SECTION D - ACTION OBJECTIVES

IT WOULD SEEM TO BE QUITE CLEAR THAT THE US HAS MUCH TO GAIN BY THE CONTINUED EXISTENCE OF THE ICCS. HOWEVER, THE US IS GOING TO HAVE TO SHOULDER THE MAJOR RESPONSIBILITY FOR FUNDING THE ICCS IF IT IS TO CONTINUE.

IF IT IS DETERMINED THAT THE ICCS NO LONGER HAS ENOUGH VALUE FOR THE US TO TRY TO KEEP IT AFLOAT UNDER THE PRESENT CIRCUM-STANCES, WE SHOULD BEGIN TAKING STEPS NOW IN ORDER TO EFFECT AN ORDERLY WITHDRAW OF THE ICCS FROM SOUTH VIETNAM AND IN ORDER TO MAKE CLEAR THAT THE ICCS HAS BEEN SCUTTLED OR SABOTAGED QUITE DELIBERATELY BY THE COMMUNIST SIDE. IF WE WAIT AND DO NOT ASK THE HARD QUESTIONS NOW, THE PROSPECTS FOR EITHER OR BOTH OF THESE OBJECTIVES IS CONSIDERABLY HAMPERED.

THE WORST-OF-ALL-END-RESULTS WOULD BE FOR THE ICCS TO PASS OUT OF EXISTENCE IN A MIASMA OF FISCAL ANARCHY, WITH THE COMMUNIST SIDE PROCLAIMING ITS FIDELITY TO THE PARIS AGREEMENT, SUCCESS-FULLY BLAMING THE US FOR VIOLATING THE TERMS OF THE AGREE-MENT.

SINCE WE NOW SEEM TO BE ON THE BRINK OF THE WORST-OF-ALL-END-RESULTS, WE SERIOUSLY RECOMMEND THAT QTE L UNQTE NOW BE TASKED WITH EMERGENCY PLANNING TO MINIMIZE THE POLITICAL AND DIPLOMATIC COSTS TO THE UNITED STATES AS WE MOVE IN-EXORABLY TOWARD THE ICCS BECOMING AN INITIAL CASE STUDY IN THE INTERNATIONAL LEGAL SYSTEM ON BANKRUPTCY AND RECEIVERSHIP PROCEDURES.
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